



## **Cyprus: Maritime Sector Report**

### **Summary**

Cyprus is an important international shipping center, combining the tenth-largest sovereign flag in the world, and one of the largest third-party shipmanagement centers globally. As such, the island offers much potential for international companies in the broad shipping sector, even though few U.S. companies have so far discovered this potential. From the U.S. perspective, best prospects in Cyprus include direct marketing of shipping-related goods and services to the many world-class shipping companies established here, or establishing a base on the island to take advantage of its favorable tax regime. Other prospects include catering to Cyprus' budding offshore energy sector, and bidding on running commercial services at the Limassol Port as well as operating various buildings in the old Limassol port area. The island's proximity (geographically, culturally, and language-wise) with Greece gives it the added advantage of providing easy access to this very important shipping market, with its leading share in global ship ownership and orders for new-built ships. Visiting Cyprus to assess its market potential, and partnering with local firms could provide a good market access strategy. U.S. Embassy Nicosia stands ready to provide commercial services to American companies pursuing business opportunities in Cyprus.

### **Market Demand**

Cyprus is a successful international shipping center, combining both a sovereign flag and a resident shipping industry, renowned for its high quality services and standards of safety. This success is based on several factors, including the country's strategic location at the crossroads of three continents (Europe, Asia, Africa), a legal system based on the English model, an efficient civil service, good labor relations, high-quality legal, accounting, and other professional services, a modern banking system, telecommunications and air links to important destinations in the region. Additionally, Cyprus offers important fiscal and economic advantages, such as competitive ship registration costs and annual tonnage taxes, a favorable tax regime for shipmanagement and other international business enterprises, and generally low operation and construction costs, all of which have prompted many entrepreneurs to establish fully-fledged offices on the island.

The Cyprus registry currently ranks tenth-largest among international fleets, with 1,000 ocean going vessels of a gross tonnage exceeding 20 million, and continuously upgrades its services in order to offer a high standard of support to international shipping and a reputation of a "Flag of Progress".

Cyprus, and more particularly Limassol, is considered to be the largest third-party shipmanagement center in the European Union, and among the leading shipmanagement centers in the world. More than 150 shipowning, shipmanagement, chartering and shipping-related companies maintain fully-fledged offices and conduct their international activities from Cyprus. The vast majority of these companies are located in Limassol and are Members of the

Cyprus Shipping Chamber. Some of the largest shipmanagement companies in the world have their headquarters and conduct their operations from Limassol.

Around 87% of shipmanagement companies established and operating from the Republic of Cyprus are controlled by Cypriot and EU interests. These companies employ almost 40,000 seafarers, of whom approximately 5,000 are EU nationals. The share occupied by the fleet managed from Cyprus in the world shipmanagement market constitutes another interesting aspect. It is estimated that ships managed from Cyprus represent 20% of the world third-party shipmanagement market, which consists of around 10,000 vessels.

In addition to shipmanagement, Cyprus-based firms offer professional services to clients worldwide in related sectors, such as chartering, crewing, ship surveying, shipbroking, salvaging, marine insurance, ship chandlery, as well as freight clearing and forwarding. It is estimated that the broad shipping sector, as a whole, contributed more than 7% to Cyprus' GDP of around €18 billion in 2014.

Cyprus' rising importance as a maritime nation is also reflected by the fact that a Cypriot, Acting Director of the Department of Merchant Shipping Andreas Chrysostomou, is currently running for election to the post of new Secretary General for the International Maritime Organization at its next general meeting June 29-July 3, 2015.

### **Best prospects**

Best prospects for U.S. firms in the Cypriot marine, shipping, ports, and related support services sectors include:

- (A) Although largely undiscovered yet by U.S. companies, Cyprus can serve as an excellent platform for marketing shipping-related goods and services to the dozens of established, world-class, shipmanagement companies already based here. Sectors of possible interest include telecommunications and satnav systems, electronics, navigation, marine engines and generators, spare parts for ships, chandlery items, paints/antifouling, and insurance/crewing/technical support services.
- (B) U.S. ship management companies can establish a base in Cyprus to take advantage of its favorable tax regime (only 12.5% corporate tax for normal companies, and one of the most competitive tonnage taxes for shipping companies in the EU), double-tax avoidance treaties, merchant shipping agreements with other countries, and excellent infrastructure catering to this sector.
- (C) Cyprus' budding offshore energy sector opens up a window of opportunity for companies servicing the oil and gas industry. The government's plan to commercialize activities in Limassol port (see below) includes developing hydrocarbon support services in this port, in order to support the offshore oil and gas industry, which is seen as potentially instrumental for Cyprus' future economic development. Prospects include all types of support services for offshore oil platforms, including for repairs, technical assistance, provisioning, etc.
- (D) U.S. passenger ships can use the port of Limassol as their home port for cruises in the region, or at least, include Limassol in their cruise itinerary.
- (E) The Ministry of Transport, Communications and Works (MTCW) has just launched an invitation to commercialize activities at the Limassol Port, the country's main port, including for one or more of the following services: (a) Container Terminal; (b) Marine Services (e.g. pilotage); and (c) Multi-purpose Terminal (including a passenger terminal).

(F) The Cyprus Ports Authority (CPA) has invited bids for the management, operation, commercial exploitation, and maintenance of a total of 18 new buildings spread over 5,800 square meters in the old Limassol port area, next to the new Limassol Marina. After a failed attempt in 2014 to award the entire project to a single bidder for a minimum annual rent of €2.3 million, the CPA will now invite separate bids for each building for a total period of ten years (five years initially, plus an option to renew for another five).

## **Market Entry**

U.S. firms can find many opportunities in the broad shipping market in Cyprus and the region. The best way for U.S. companies to assess the market potential of this complex but potentially lucrative market is probably to visit the island and assess prospects first-hand. Assuming there is preliminary interest, a U.S. company can then consider partnering with a local firm, in order to leverage local knowledge. The Economic and Commercial Section of the U.S. Embassy in Nicosia stands ready to provide our services to American companies pursuing business opportunities in Cyprus.

Trade events are another good way of assessing local prospects, so attending one of the events below in Cyprus or in Greece could well prove beneficial.

## **Trade Events**

The following two shipping events take place in Cyprus every two years, affording access to potential decision makers:

### **Maritime Cyprus 2015 Conference**

Limassol, Cyprus

September 13-16, 2015

Biennial event, organized by the Ministry of Communications and Works and the Department of Merchant Shipping in cooperation with the Cyprus Shipping Chamber and the Cyprus Union of Shipowners.

Website:

<http://www.mcw.gov.cy/mcw/dms/dms.nsf/7f35023e46646133c22572fa005207ee/9dfbbd4e62721037c2257df1003ea1b9?OpenDocument>

### **EastMed Marine and Oil & Gas Exhibition**

Limassol, Cyprus

Organized every two years. Last time it was held May 7 & 8, 2015, attracting over 70 international companies exhibiting products and services for the marine, oil and gas industries, including two U.S. companies. Next exhibition tentatively planned for April 2017, although no dates are available yet.

Website: [www.eastmedexpo.com](http://www.eastmedexpo.com)

Additionally, Posidonia ([www.posidonia-events.com](http://www.posidonia-events.com)), one of the most important shipping expos in the world, and a U.S. Department of Commerce Certified Trade Fair, takes place in Greece every two years. The U.S. Commercial Service in Athens will organize a U.S. Pavilion at the next edition of Posidonia in June 2016. Posidonia, provides direct access to shipping managers and owners in Greece and the region, with numerous gatherings attracting purchasing decision makers. Participation in the U.S. Pavilion offers worldwide business expansion opportunities for the U.S. shipping industry and related U.S. service and supply sectors. For more information,

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